

UMZIMKHULU MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended
30 June 2005

I am responsible for the preparation of these annual financial statements, which are set out on pages 2 to 19, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 18 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

(Name)
Municipal Manager

Date

UMZIMKHULU MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2005

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The annual financial statements set out on pages 2 to 19, have been approved by the Municipal Manager and are signed. Refer to the 1st page.

UMZIMKHULU MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2005

	Note	2005 R	2004 R
NET ASSETS AND LIABILITIES			
Net Assets		5 198 120	5 140 087
Reserves	1	2 193 875	2 193 875
Un-appropriated Surplus/(Accumulated Deficit)		3 004 245	2 946 212
Non-current liabilities		6 861 981	8 337 194
Trust Fund and Project Funds	2	6 861 981	8 337 194
Long-term liabilities	3	-	-
Current liabilities		6 854 815	2 327 657
Consumer deposits		-	-
Provisions	4	156 957	283 419
Creditors	5	6 426 459	1 155 664
Conditional Grants and Receipts	6	271 399	295 244
Bank overdraft	12	-	593 330
Total Net Assets and Liabilities		<u>16 462 814</u>	<u>15 804 938</u>
ASSETS			
Non-current assets		5 001 690	6 580 689
Property, plant and equipment	7	-	-
Investments	8	5 001 690	6 342 022
Non-current loans	9	-	238 667
Current assets		11 461 124	9 224 249
Inventory		-	-
Consumer debtors	10	5 810 162	4 462 614
Other debtors	11	4 203 806	3 845 629
Current portion of long-term loans	9	235 624	322 256
Bank balances and Cash	12	1 211 532	593 750
Total Assets		<u>16 462 814</u>	<u>15 804 938</u>

UMZIMKHULU MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2005

	Note	2005 R	2004 R
INCOME			
Assessment Rates		908 595	905 230
Park & Guard		-	16 000
Traffic/Protection		-	1 287 629
Finance		-	-
Service charges		2 569 773	1 381 047
Government Grant & Subsidies		35 827 298	30 233 269
Other Income		12 354 972	-
Total Revenue		51 660 638	33 823 175
EXPENDITURE			
Housing		1 139 132	3 884 956
Council		1 472 028	2 415 281
Park & Guard		416 692	753 981
Depreciation		-	-
Traffic/Protection		4 552 096	3 871 126
Office of the Municipal Manager		687 701	1 145 919
Administration		2 905 185	13 418 040
Finance		1 440 249	1 445 907
Roads		12 341 465	7 218 580
General Expense		22 255 007	-
Refuse Removal		721 377	1 244 381
Sanitation		535 222	3 827 617
Water Supply		3 136 451	933 759
Total Expenditure		(51 602 605)	(40 159 547)
Net Surplus/(Deficit) for the year		58 033	(6 336 372)

Refer to Appendix E(1) for the comparison with the approved budget

UMZIMKHULU MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2005

	<u>Pre- GAMAP Old Reserves</u>	<u>Unappropriated surplus</u>
2004		
Balance at 1 July 2003	2 202 829	10 697 312
Implementation of GAMAP (Note)		
Restated balance		
Net surplus for the year	-	(6 336 373)
Appropriations for the year	-	(1 414 727)
Contributions to Statutory Reserve	3 365	-
Investment income on Statutory Reserve	5 105	-
Utilized on operating expenditure	<u>(17 424)</u>	<u>-</u>
Balance at 30 June 2004	<u>2 193 875</u>	<u>2 946 212</u>
2005		
Changes in accounting policy	-	-
Restated balance	2 193 875	2 946 212
Appropriations for the year	(10 589)	58 033
Net surplus for the year		
Asset disposals	-	-
Balance at 30 June 2005	<u>2 193 875</u>	<u>3 004 245</u>

UMZIMKHULU MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2005

	Note	2005 R	2004 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other			
Cash paid to suppliers and employees			
Cash generated from/(utilized in) operations	20	12 878 925	782 000
Interest received		275 455	244 933
Interest paid		(590)	-
NET CASH FROM OPERATION ACTIVITIES		<u>13 153 790</u>	<u>1 026 933</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(11 542 141)	(11 005 841)
Long term debtor repaid		<u>355 784</u>	<u>261 286</u>
NET CASH FROM INVESTING ACTIVITIES		<u>(11 186 357)</u>	<u>(10 744 555)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
New loans raised		-	-
Increase/(Decrease) in Trust and Project Funds		<u>(2 096 653)</u>	<u>1 946 522</u>
NET CASH FLOW FROM FINANCING ACTIVITIES		<u>(2 096 653)</u>	<u>1 946 522</u>
NET DECREASE IN CASH & CASH EQUIVALENTS		(129 220)	(7 771 100)
Cash and cash equivalents at the beginning of the year		<u>6 342 442</u>	<u>14 113 542</u>
Cash and cash equivalents at the end of the year		<u>6 213 222</u>	<u>6 342 442</u>

UMZIMKHULU MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

1. BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention, except for the revaluation of land and buildings, which are carried at fair value.

In accordance with section 122(3) of the Municipal Finance Management Act (Act No. 56 of 20-03), the Municipality has adopted Standards of GAMAP and GRAP issued by the Accounting Standards Board during the financial year. GAMAP and GRAP standards are fundamentally different to the fund accounting policies adopted in previous financial years. Comparative amounts have been restated retrospectively to the extent possible. The effect of the change in accounting policy arising from the implementation of GAMAP and GRAP is set out in Note? The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

2. PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand.

3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

4. RESERVES

4.1 Government Grant Reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/ (deficit) to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Reserve to the accumulated surplus/ (deficit). The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/ (deficit).

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/ (deficit).

4.2 Capitalization Reserve

On the implementation of GAMAP/GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time that had historically been utilized for the acquisition of items of property plant and equipment have been transferred to a Capitalization Reserve instead of the accumulated surplus/ (deficit). The balance on the Capitalization Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalization Reserve to the accumulated surplus/ (deficit).

When an item of property, plant and equipment is disposed, the balance in the Capitalization Reserve relating to such item is transferred to the accumulated surplus/ (deficit).

UMZIMKHULU MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

4. RESERVES (continued)

4.3 Donations and Public Contributions Reserve

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/(deficit) to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/ (deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus/ (deficit).

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost, less accumulated depreciation, except land and buildings, which are revalued as indicated below. Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their estimated useful lives. Similarly, land is not depreciated as it is deemed to have an indefinite life.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognized as an expense in the period that the impairment is identified.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Subsequent expenditure is capitalized when the recognition and measurement criteria of an asset are met.

Depreciation is calculated on cost, using the straight line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:-

Infrastructure	<u>Years</u>
Roads and Paving	
Pedestrian Malls	
Electricity	
Water	
Sewerage	
Community	
Buildings	
Recreational Facilities	

UMZIMKHULU MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

6. INVESTMENTS

Investments are stated at cost, less impairments adjustments.

Where investments have been impaired, this is recognized as an expense in the period that the impairment is identified.

Investment in associates and municipal entities are carried at cost.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

7. ACCOUNTS RECEIVABLE

Accounts receivable are carried at anticipated realizable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. Bad debts are written off during the year in which they are identified.

8. REVENUE RECOGNITION

8.1 Revenue from Exchange Transactions

Service charges relating to water are based on consumption. Meters are read on a quarterly basis and are recognized as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognized as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognized as revenue in the invoicing period.

Revenue from the sale of goods is recognized when the risk is passed to the consumer.

8.2 Revenue from non-exchange transactions

Revenue from rates is recognized when the legal entitlement to this revenue arises. Collection charges are recognized when such amounts are legally enforceable. Interest on unpaid rates is recognized on a time proportion basis.

Revenue from the recovery of unauthorized, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognized when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue arising from the application of the approved tariff of charges is generally recognized when the relevant service is rendered.

Interest and rentals are recognized on a time proportion basis.

9. CONDITIONAL GRANTS AND RECEIPTS

Revenue received from conditional grants, donations and funding are recognized as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognized.

UMZIMKHULU MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

10. PROVISIONS

Provisions are recognized when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Non current provisions are discounted to the present value using a discount rate based on the average cost of borrowing to Council.

11. CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

12. UNAUTHORISED EXPENDITURE

Unauthorized expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act no.56 of 2003). Unauthorized expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

13. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No.20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorized expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

14. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

UMZIMKHULU MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

15. COMPARATIVE INFORMATION

15.1 *Current year comparatives:*

Budgeted amounts have been included in the annual financial statements for the current financial year only.

15.2 *Prior year comparatives:*

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

UMZIMKHULU MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	2005 R	2004 R
1. RESERVES		
Revolving Fund	2 193 875	2 193 875
Contributions made	-	-
Expenditure incurred on the reserve	-	-
Investment income earned	-	-
Closing balance	<u>2 193 875</u>	<u>2 193 875</u>
2. TRUST FUND & PROJECT FUNDS		
<i>Trust Funds:</i>		
I.G.G. Fund I	568 958	1 788 841
Pilot Housing	(67 892)	(67 987)
UMZIMKHULU Housing Project	10 857	6 049
Riverside Housing Project	540 348	509 777
Ibisi Housing Project	25 236	2 266 717
Clydesdale Housing Project	1 266 785	543 361
UMZIMKHULU Rural Housing Project	1 038	242 774
FMG Fund	188 788	-
	<u>2 534 118</u>	<u>5 211 654</u>
<i>Project funds:</i>		
Integrated Development plan fund	176 461	167 944
Survey fund	68 689	65 381
Sports facility grant fund	8 118	8 118
Testing centre fund	28 414	28 058
TLC let fund	1 250	1 250
Constitutional Development	1 047 440	1 047 440
M.S.P. Fund	1 702 328	1 724 900
TLC structure plan fund	4 759	4 571
MIG Fund	1 432 815	-
Riverside Phase 2 Housing Project	(142 411)	-
	<u>4 327 863</u>	<u>3 047 662</u>
Total Trust & Project Funds	<u>6 861 981</u>	<u>8 337 194</u>

UMZIMKHULU MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

The balance of the Trust & Project Funds can be reconciled as follows:

	Balance beginning of year	Contributi on during the year	Interest on investments	Expenditure	Balance end of the year
	R	R	R	R	R
Trust Funds:					
I.G.G. Fund	1 788 841	-	80 118	(1 300 000)	568 958
Pilot Housing	(67 987)	-	95	-	(67 892)
UMZIMKHULU Housing Project	6 049	85 836	1 002	(82 030)	10 857
Riverside Housing Project	509 777	-	30 608	(37)	540 348
Ibisi Housing Project	2 266 717	3 038 600	69 518	(5 358 099)	25 236
Clydesdale Housing Project	543 361	670 800	52 656	(32)	1 266 785
Umz. Rural Housing Project	242 774	-	9 582	(251 318)	1 038
FMG Fund	-	250 000	-	(61 212)	188 788
Project funds:					
Integrated Development plan fund	167 944	-	8 518	-	176 461
Survey fund	65 381	-	3 307	-	68 689
Sports facility grant fund	8 118	-	-	-	8 118
Testing centre fund	28 058	-	356	-	28 414
TLC let fund	1 250	-	-	-	1 250
Constitutional Development	1 047 440	-	-	-	1 047 440
M.S.P. Fund	1 724 900	-	-	(22 572)	1 702 328
TLC structure plan fund	4 571	-	188	-	4 759
MIG Fund	-	1 432 815	-	-	1 432 815
Riverside Phase 2 Housing Proj.	-	952 551	33 513	(1 193 975)	(142 411)
	8 337 194	4 342 676	255 459	(7 014 088)	6 861 981

The municipality is the trustee of these trust fund and the assets of these Trust Funds therefore vest in Council.

The funds are supported by separate investments. (Refer to Note 8)

4. CURRENT PROVISIONS

Accounting/Audit fees	-	105 700
Workmen	80 777	80 777
RSC Levies	50 993	50 993
Skills Development Levy	25 187	45 949
Total Provisions	156 957	283 419

5. CREDITORS

PAYE	107 783	-
Pension Fund Contribution	135 914	-
Unpaid cheques	593 945	-
Unknown deposits	1 015 671	936 957
Accrued expenses	699 758	218 707
Unutilized project funds	2 373 388	-
Drought Relief	1 500 000	-
Trade Creditors	6 426 459	1 155 664

UMZIMKHULU MUNICIPALITY

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2005 (Continued)**

	2005	2004
6. PROPERTY, PLANT AND EQUIPMENT		
<u>30 June 2005</u>		
Reconciliation of carrying value	Land and Buildings	Infrastructure Community Heritage Other TOTAL
 Carrying values at 1 July 2004		
Cost		
Correction of error		
Accumulated depreciation		
 Acquisitions		
Capital under		
Construction		
Depreciation		
Carrying value of		
disposals		
Cost		
Accumulated depreciation		
 Carrying values at 30 June 2005		
Cost		
Accumulated depreciation		
 <u>30 June 2004</u>		
Carrying values at 1 July 2003		
Cost		
Correction of error		
Accumulated depreciation		
 Acquisitions		
Capital under		
Construction		
Depreciation		
Carrying value of		
disposals		
Cost		
Accumulated depreciation		
 Carrying values at 30 June 2004		
Cost		
Accumulated depreciation		

*Refer to Appendix B for
more detail on property,
plant and equipment.*

UMZIMKHULU MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005 (Continued)

	2005 R	2004 R
7. CONDITIONAL GRANTS AND RECEIPTS		
<i>Conditional Grants from other spheres of Government</i>		
CMIP Grants	<u>294 887</u>	<u>295 444</u>

See **Note 15** for reconciliation of grants from National/Provincial Government. These amounts are invested in a ring-fenced investment until utilized.

8. INVESTMENTS

Unlisted

Short-term investments/Financial Instruments

Survey Account	68 689	65 381
I.G.G. Account	149 771	1 369 653
UMZIMKHULU Project Account	128 857	6 049
Umzikulu IDP	176 461	167 944
UMZIMKHULU Pilot Housing	8 994	8 799
Testing Centre Account	11 104	10 748
Structure Account	4 759	4 571
Mayoral Account	12 487	11 944
TLC Account	1 250	1 251
Equitable Share	141 254	77 078
UMZIMKHULU Tourism Account	233 305	221 880
Disaster Account	228 799	217 594
Riverside Project Account	882 351	509 777
Revolving Account	82 319	78 750
Wholesale Account	1 052 149	537 751
Ibisi Housing Project	16 736	2 266 717
Clydesdale project Account	1 266 785	543 361
UMZIMKHULU Rural Housing Account	1 031	242 774
Riverside – Project Phase 2-62062571239	<u>534 589</u>	<u>-</u>
Total Cash Investments	<u>5 001 690</u>	<u>6 342 022</u>

Council's valuation of unlisted investments

-Valued at net book values as above.

UMZIMKHULU MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005 (Continued)

	2005 R	2004 R
9. NON-CURRENT LOANS		
Car Loans	235 624	560 922
Less: Current portion transferred to current receivables	<u>(235 624)</u>	<u>(322 256)</u>
Total Non-Current Loans	<u>-</u>	<u>238 666</u>
Car Loans		
Senior staff is entitled to car loans which attract interest at 8% per annum and which are repayable over a maximum period of 4 years. These loans are repayable in the year 2005 and some during 2006		
10. CONSUMER DEBTORS		
Refuse	2 184 313	1 458 869
Rates	4 598 293	3 797 857
Water	2 586 143	1 986 523
Sanitation	314 856	194 441
Less: Provision for bad debts	<u>(3 873 443)</u>	<u>(2 975 076)</u>
Total	<u>5 810 162</u>	<u>4 462 614</u>
<u>Summary of Debtors for services</u>		
Current (0 – 30 days)	170 055	
30 Days	160 959	
60 Days	144 199	
90 Days	131 714	
90 + Days	2 741 169	
+120	<u>1 737 217</u>	
Total	5 085 313	
Less Provision for bad debts (40% of Total due)	<u>(2 034 125)</u>	
	<u>3 051 188</u>	
Assessment Rates	4 598 293	
Less Provision for bad debts	<u>(1 839 317)</u>	
	<u>2 758 976</u>	
TOTAL NET DEBTORS	<u>5 810 164</u>	
11. OTHER DEBTORS		
Payments made in advance	47 459	41 033
VAT	3 896 462	3 794 346
Overpayments	253 483	-
Staff loans	<u>6 400</u>	<u>10 250</u>
Total Other Debtors	<u>4 203 804</u>	<u>3 845 629</u>

UMZIMKHULU MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005 (Continued)

	2005 R	2004 R
<u>BANK, CASH AND OVERDRAFT BALANCES</u>		
The Municipality has the following bank accounts:-		
<u>Current Account (Primary Bank Account)</u>		
FNB Bank – Ixopo Branch Account No.: 525 5573 0913	536 562	28 790
<u>Other bank accounts</u>		
CMIP Current account: A/C No.: 062 264 508	294 886	295 244
Riverside A/C No: 6203 1880 695	148 713	4 624
Ibisi Repr. Council A/C No: 6201 2555 837	-	6 592
FNB – UMZIMKHULU Project: A/C No: 6204 8699 550	92 025	51
FNB – Clydsdale Project: A/C No.: 6204 4979 873	119 671	119 639
Ibisi Project: A/C No.: 6204 4979 261	4 468	121 554
Revolving Fund	2 904	2 904
FNB – Riverside Project: A/C No.: 6205 4525 492	1 386	5 253
Extension 5 & 6	1 570	-
Petty Cash	9 347	9 099
	<u>674 970</u>	<u>564 960</u>
Total Cash and Cash Equivalents (Favourable)	<u>1 211 532</u>	<u>593 750</u>
<u>Bank overdraft</u>		
Extension 5 & 6: A/C No.: 6203 1878 517	-	<u>593 330</u>
13. PROPERTY RATES		
<u>Actual</u>		
Total Assessment Rates	<u>908 595</u>	<u>908 595</u>
<u>SERVICE CHARGES</u>		
Sale of water	1 306 964	626 966
Refuse removal	1 103 730	510 572
Sewerage and sanitation charges	159 079	161 461
Total Service charges	<u>2 569 773</u>	<u>1 298 999</u>

UMZIMKHULU MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005 (Continued)

	2005 R	2004 R
15. GOVERNMENT GRANTS AND SUBSIDIES		
Equitable Share	29 738 391	25 826 270
District Municipality & Other Grants	6 088 907	3 814 744
Total Government Grant and Subsidies	<u>35 827 298</u>	<u>29 641 014</u>
<i>Equitable Share</i>		
In terms of the Constitution, this grant is used to subsidize the provision of basic services to indigent community Members.		
<i>CMIP Grant</i>		
Balance unspent at beginning of year	295 244	289 942
Current year receipts	-	5 708
Interest earned	(570)	123
Bank charges	213	529
Conditions still to be met-transferred to liabilities (see note 9)	<u>294 887</u>	<u>295 244</u>
16. OTHER INCOME		
Tender fees	66 710	28 450
Refund from councillor	253 483	-
Grass cutting	4 887	4 295
Sundries	-	5 150
Service charges	-	5 287
Total Other Income	<u>325 080</u>	<u>43 182</u>
17. EMPLOYEE RELATED COSTS		
Employee related costs – Salaries and Wages	14 171 976	9 159 765
Less: Employee costs included in other expenses	-	-
Total Employee Related Costs	<u>14 171 976</u>	<u>9 159 765</u>

UMZIMKHULU MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005 (Continued)

2005
R

18. REMUNERATION OF COUNCILLORS

Executive Mayor, Speaker & Councillors	<u>2 764 401</u>
Total Councillors' Remuneration	<u>2 764 401</u>

In-kind Benefits

The Mayor, Speaker and three Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council. The Mayor has use of a Council owned vehicle for official duties.

Certification by the Municipal Manager

I certify that the remuneration of Councillors and in-kind benefits are in accordance with the Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with that Act

UMZIMKHULU Municipal Manager

UMZIMKHULU MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005 (Continued)

	2005 R	2004 R
19. BAD DEBTS		
Contribution to the bad debt provision	898 367	-
Bad debts written off	-	-
Total Bad Debts	<u>898 367</u>	-
20. CASH GENERATED BY OPERATIONS		
Net surplus for the year	58 033	(6 336 373)
Adjustment for:-		
Contributions to Fixed Assets	11 542 141	11 005 841
Investment income	(275 455)	(244 933)
Interest paid	590	-
Operating surplus before working capital changes:	<u>11 325 309</u>	<u>4 424 535</u>
(Increase)/decrease in accounts receivable & other debtors	(1 138 614)	(2 341 856)
Increase/(decrease) in accounts payables & other creditors	<u>2 692 230</u>	<u>(1 300 679)</u>
Cash generated by operations	<u>12 878 925</u>	<u>782 000</u>

UMZIMKHULU MUNICIPALITY

DETAILED STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30th JUNE 2005

Budget 2004 R	2005 R		Note	Actual 2005 R	2004 R
REVENUE					
908 594	3 770 940	Property rates	13	908 595	905 230
250 000	200 000	Building Plans & Servitudes		18 755	4 300
-	100 000	Cemetery fees		8 155	10 000
15 000	30 000	Commissions: Advertising		6 353	-
90 000	50 000	Connection Fees: Water		906	16 377
-	5 660 430	District Municipality Contribution	15	6 088 907	3 814 744
200 000	200 000	Dumping Fees		-	-
27 951 816	32 603 000	Government Grants & Subsidies	15	29 738 391	25 826 270
50 000	-	Grazing fees		55 499	-
480 880	800 000	Interest on investments		253 452	244 933
30 000	100 000	Interest on outstanding accounts		56 796	5 401
150 000	500 000	Land Sale		9 896	-
450 000	800 000	Lease of Land		260 588	256 135
-	-	Levy		3 088	-
923 278	1 000 000	Other income	16	325 080	43 182
15 000	50 000	Pound fees		3 755	6 000
100 000	250 000	Reconnections		-	-
3 242 129	5 700 000	Service charges	14	2 569 773	1 298 999
-	-	Refund		374 090	-
250 000	300 000	Rent: Halls		11 411	22 477
150 000	200 000	Rent: Houses		1 755	5 955
200 000	-	Sales: Soil, Sand and Gravel		21 636	-
-	-	Surplus cash		-	4 274
550 000	900 000	Sewer Line Fees: Connections		26 835	39 580
21 100	30 000	Sewerage Sucking Fees		-	27 942
-	-	Tractor Hire		-	61 850
1 500 000	1 800 000	Traffic Fines and Learners License		1 275 036	1 229 526
450 000	600 000	Vehicle Registration and Licensing		151 726	-
<u>37 977 797</u>	<u>55 644 370</u>	Total Revenue		<u>42 259 781</u>	<u>33 823 175</u>
EXPENDITURE					
12 109 129	19 408 741	Salaries & other related costs	17	14 171 976	9 159 765
244 116	555 000	Motor vehicle fuel & oil		591 236	353 790
-	-	General Expense		-	685 929
-	39 865	Hire of Equipment		850	100 517
109 076	158 000	Materials & Stores		662 499	-
546 564	810 448	Subsistence & traveling		1 612 802	1 701 795
2 046 769	1 736 547	Repairs & Maintenance		5 746 062	10 905 406
-	-	Training		-	162 714
166 100	257 500	Entertainment		334 630	213 074
-	-	Community Development Projects		-	1,586 947
-	-	Licence fees – registration		-	24 985

UMZIMKHULU MUNICIPALITY

DETAILED STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30th JUNE 2005 (continued)

Budget 2004 R	2005 R	Note	Actual 2005 R	2004 R
EXPENDITURE				
22 260	60 000		23 810	6,495
241 315	330 000		580 667	273,496
51 613	15 000		167 952	29,080
-	40 000		-	634,096
-	-		-	117,357
105 000	125 000		-	-
36 925	110 000		119 606	111,553
10 390	10 000		-	-
317 789	1 670 000		1 223 813	-
1 058 025	695 000		133 161	21,901
130 500	155 000		165 715	628,021
188 186	80 000		59 384	-
50 000	50 000		117 549	-
221 100	280 000		419 640	-
33 390	40 000		722 176	-
52 759	70 000		-	-
100 000	120 000		153 724	-
50 000	50 000		-	-
2 854 367	3 000 000		252 794	-
90 000	50 000		-	-
-	70 000		136 127	-
-	30 000		-	-
1 010 550	520 000		50 174	303,432
50 000	50 000		-	-
-	-		-	223,100
111 830	150 000		52 659	-
121 000	125 000		12 616	15,390
-			4 800	-
3 120	78 000		726	-
116 050	292 000		551 866	577,945
143 567	130 000		39 007	-
3 467	5 000		-	-
-	50 000		2 150	-
-	50 000		16 200	-
231 775	348 450		155 518	178,458
-	50 000		34 315	-
-	30 000		177 547	-
50 000	-		-	-
20 000	80 000		93 542	-
100 000	80 000		25 689	-
52 750	-		-	-
132 625	-		-	152,370

UMZIMKHULU MUNICIPALITY

DETAILED STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30th JUNE 2005 (continued)

Budget 2004 R	2005 R		Note	Actual 2005 R	2004 R
		EXPENDITURE			
38 372	176 000	Sundry expenses		229 192	15,293
-	-	Land & Buildings			6,789,962
10 000	30 000	First Aid Expenses		25 781	-
29 700	-	Furniture & Office Equipment		-	147,008
-	-	Donation		-	193,906
169 486	250 000	Audit & Accounting fees		231 290	64,893
36 925	60 000	Bank charges		69 289	89,536
-	-	Bad Debts		898 366	-
-	-	Interest paid		590	-
50 000	40 000	Integrated Development Plan		18 097	-
150 000	240 000	Insurance: Building & Equipment		261 999	-
-	-	Irrecoverable debt		-	651,317
-	-	Chemicals		-	223,827
150 000	200 000	Salga contributions		10 242	-
-	-	Sewerage network Development Fund			3,317,417
143 300	283 025	Training –External		611 734	-
-	50 000	Recruitment		-	-
100 000	-	Study loan		-	-
-	-	Refuse collection-Outsourced		-	489,200
-	-	Pipeline and fittings		-	9,572
200 000	300 000	Ward Committee Expenses		80 154	-
10 700 000	12 965 000	Infrastructure Capital Projects		10 342 903	-
		Social Services & LED CAPITAL BUDGET		3 182 515	-
3 245 609	7 509 844				
37 975 799	54 158 420	Total Expenditure		44 575 136	40,159,547
		NET SURPLUS/(DEFICIT) FOR THE YEAR			
<u>1 998</u>	<u>1 485 950</u>			<u>2 315 355</u>	<u>(6 336 372)</u>